

Message Text

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ACTION EUR-12

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H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01

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P R 061811Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6681

INFO USMISSION USBERLIN

USMISSION NATO BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 18910

E.O. 11652: GDS

TAGS: PFOR, EFIN, GW, GE, US

SUBJECT: FRG-GDR RELATIONS

REF: BERLIN 6124

SUMMARY: BONN OFFICIALS EXPECT THE GDR TO EXEMPT PENSIONERS FROM THE VISITORS' CURRENCY EXCHANGE REQUIREMENTS, POSSIBLY BEFORE THE UPCOMING BUNDESTAG DEBATE ON GERMAN AFFAIRS. THERE WILL BE NO EXPLICIT TIE TO THE EXTENSION OF THE SWING, BUT THE FRG'S APPROACH TO THE LATTER ISSUE WILL BE DETERMINED BY THE GDR ATTITUDE ON A NUMBER OF QUESTIONS CONCERNING IMPROVEMENT OF FRG-GDR ROAD AND RAIL COMMUNICATIONS. OUR CONTACTS WERE CAREFUL NOT TO COMMIT THEMSELVES AS TO THE DETAILS OF THE SWING EXTENSION. END SUMMARY

1. RELIABLE EMBASSY OFFICIAL CONTACTS HAVE CONFIRMED
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REPORTS, INCLUDING REFTEL AND PRESS ACCOUNTS, THAT THE

FRG EXPECTS GDR ACTION SHORTLY TO EXEMPT PENSIONERS FROM COMPULSORY CURRENCY EXCHANGE REQUIREMENTS. THE GDR ACTION IS ANTICIPATED DURING DECEMBER, POSSIBLY IN TIME FOR THE BUNDESTAG DEBATE ON ALL GERMAN AFFAIRS SCHEDULED FOR DECEMBER 18-19 (GDR ACTION BEFORE THE DEBATE WOULD CLEARLY BE USEFUL TO THE SCHMIDT GOVERNMENT). WE HAVE BEEN TOLD THAT THERE WILL BE NO EXPLICIT JUNCTION BETWEEN THE PENSIONERS ISSUE AND THE EXTENSION OF THE FRG SWING CREDIT. OUR CONTACTS SAY THE FRG ADHERED STRICTLY IN THE NEGOTIATIONS TO THE POSITION THAT THE GDR SHOULD REVOKE THE PENSIONERS' REQUIREMENT AS A SEPARATE, UNILATERAL MEASURE. AT THE SAME TIME, IT WAS MADE CLEAR THAT IN THIS CASE BONN WOULD BE PREPARED TO LOOK AT THE GDR DESIDERATA ON THE SWING. ALTHOUGH THERE IS NO FORMAL CONNECTION BETWEEN THE TWO ISSUES, THEREFORE, IT IS CLEAR THAT THEY ARE RELATED IN PRACTICE. OUR CONTACTS WERE UNWILLING TO SAY EXACTLY WHAT THE FRG PLANS ARE ON THE SWING, PERHAPS BECAUSE FINAL HIGH-LEVEL DECISIONS ARE STILL OUTSTANDING. THEY DID SAY, HOWEVER, THAT THEY WOULD PROPOSE A SCHEME TO THE EAST GERMANS UNDER WHICH THE CREDIT, AFTER RISING ABOVE ITS CURRENT LEVEL, WOULD GRADUALLY BE TAPERED OFF UNTIL IT ONCE AGAIN REACHED THE 1967 LEVEL OF DM 200 MILLION (THE CURRENT LEVEL IS APPARENTLY WELL SHORT OF DM 500 MILLION). IN REPLY TO OUR QUESTION AS TO WHAT TIME FRAME THE FRG SCHEME WAS INTENDED TO COVER, WE GOT A SOMEWHAT VAGUE, EVASIVE REPLY.

2. WHILE OUR CONTACTS INSISTED THAT THERE WAS NO JUNKTIM BETWEEN THE PENSIONERS' ARRANGEMENT AND THE SWING, THEY WERE EQUALLY INSISTENT THAT THEY WOULD MAINTAIN A FIRM JUNKTIM BETWEEN THE SWING AND A NUMBER OF OTHER PENDING MATTERS IN FRG-GDR RELATIONS. AMONG THESE ARE THE CONSTRUCTION OF A BERLIN-HAMBURG AUTOBAHN, IMPROVEMENT OF EXISTING AUTOBAHNS, AND EXPANSION AND IMPROVEMENT OF RAIL COMMUNICATIONS. IT WOULD NOT BE SO MUCH A QUESTION OF WORKING TOWARD A COMPLETELY ROUNDED PACKAGE, HOWEVER,

AND IT WAS NOT POSSIBLE TO SAY WHAT THE EXACT SEQUENCE OF AGREEMENTS WOULD BE. THE INFERENCE WAS CONFIDENTIAL

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- THAT AN INTENSIVE PHASE OF NEGOTIATION LAY AHEAD.

3. OUR CONTACTS SURVEYED THE HISTORY OF THE PENSIONER ISSUE SINCE THE GDR NOVEMBER 1973 MEASURES. THEY THOUGHT THAT PERHAPS AT THAT TIME, HONECKER HAD BEEN UNDER CERTAIN PRESSURES FROM HARDLINE ELEMENTS IN THE EAST GERMAN ESTABLISHMENT WHICH WERE UNHAPPY AT - CONCESSIONS MADE TO BONN IN THE CONTEXT OF THE BASIC

TREATY, FOR EXAMPLE, THE PROVISIONS FOR VISITS IN FRG-GDR BORDER AREAS. THEY SPECULATED THAT HONECKER HAD NOT YET, AT THAT TIME, CONSOLIDATED HIS PERSONAL POSITION TO THE POINT WHERE HE COULD DEAL WITH SUCH PRESSURES AND HAD GIVEN IN TO THEM. PERHAPS, TOO, THE GDR HARD-LINERS HAD MADE THE ARGUMENT THAT THERE WOULD BE USEFUL

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 18910

ECONOMIC GAINS FROM INCLUDING THE PENSIONERS IN THE COMPULSORY CURRENCY REQUIREMENTS AND ALSO IN SUBSTANTIAL-
LY RAISING THOSE REQUIREMENTS. THIS LATTER EXPECTATION,
IF IT HAD IN FACT EXISTED, HAD NOT PROVED CORRECT
DUE TO THE SEVERE FALL IN THE NUMBER OF VISITORS WHICH
RESULTED. IN ADDITION, OUR SOURCES SAID, HONECKER
SEEMED NOW TO BE QUITE CLEARLY - IN CHARGE
OF THINGS. HE HAD -MADE A POINT OF STAYING IN

PHASE VERY CLOSELY WITH THE SOVIETS. THEY CONTRASTED THE PRESENT SMOOTHNESS OF SOVIET-GDR RELATIONS, AS THEY SAW THEM, WITH THE SOMETIMES UNEVEN AND EVEN DIFFICULT COURSE THEY HAD TAKEN WHEN ULBRICHT WAS IN CHARGE. THEY CONCLUDED THAT HONECKER HAD IN ANY CASE SUCCEEDED IN CONSOLIDATING HIS POSITION. THEY DID NOT SEE ANY OPPOSITION TO HIM WITHIN THE SED LEADERSHIP. THERE WERE CONTINUING RUMORS THAT LAMBERZ WAS SOME KIND OF

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FOCAL POINT OF DIFFERING VIEWS FROM THOSE OF HONECKER, BUT THEY WERE NOT INCLINED TO ASCRIBE MUCH IMPORTANCE TO THESE REPORTS. THEY FELT THAT LAMBERZ LACKED A POWER BASE AND, IN ANY CASE, DID NOT SEEM IN THEIR VIEW TO HAVE THE STATURE ADEQUATE TO EFFECT ANY CHALLENGE.

4. OUR CONTACTS ALSO COMMENTED ON THE PRESENT STATE OF THE EAST GERMAN ECONOMY. IN SOME RESPECTS THE GDR WAS DOING QUITE WELL. HARVESTS HAD BEEN GOOD, AND PLAN FULFILLMENT WAS ENCOURAGING. BUT ENERGY WAS A MAJOR PROBLEM, WITH THE USSR RAISING DELIVERY PRICES AND WITH GREATER NEED ON THE GDR SIDE FOR HARD CURRENCY EXCHANGE--A FACTOR WHICH, OF COURSE, ACCOUNTED IN PART FOR THE CONTINUING ATTRACTIVENESS OF THE SWING. IN ADDITION, THE GDR HAD UNDERTAKEN EXPANSION ON THE CONSUMER SIDE AND WHILE THIS PROGRAM HAD GONE AHEAD, THE DRAIN ON THE ECONOMY HAD BEEN AND WOULD CONTINUE TO BE CONSIDERABLE. YET ON POLITICAL GROUNDS, THE CONSUMER PROGRAM COULD NOT BE NEGLECTED. TAKEN TOGETHER, THESE FACTORS INDICATED CONTINUING DIFFICULTIES IN THE EAST GERMAN ECONOMY. NOT OF CRISIS MAGNITUDE BY ANY MEANS, BUT NEVERTHELESS SERIOUS ENOUGH TO BE A MAJOR FACTOR FOR EAST GERMAN PLANNERS WITH CLEAR IMPLICATIONS FOR THE FRG-GDR RELATIONSHIP.

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